



DISTRICT OF COLUMBIA
PUBLIC SCHOOLS

Office of the Chief Financial Officer

November 30, 2011

DC Public Schools: Fiscal Year 2013 Budget

Budget Hearing required by Section 38-917 of the D.C. Official Code.

Welcome to the FY13 Budget Hearing

Objective:

The DCPS Budget Hearing is legislatively-mandated event, called by the DCPS Chancellor, designed to provide an opportunity for community stakeholders to provide feedback about the upcoming fiscal year budget.

So what are the expectations for tonight's event?

- We want to hear *your* feedback. What worked last year? What didn't?
- The event is an opportunity for the DCPS Chancellor to *listen*. We may ask follow-up questions, but this is a listening exercise rather than a two-way dialogue.
- There are **many** more opportunities scheduled to engage in meaningful discussion about budget development. Please visit our website to learn for upcoming events.

Schedule for FY13 Hearing

Time	Item
6:00PM	Hearing Begins
6:00PM—6:10PM	Call to Order
6:10PM—6:30PM	Presentation about Budget Development <i>Presented by representatives from DCPS and DCPS OCFO</i>
6:30PM—7:50PM	Testimony from Community Members <i>All testimony will be recorded for submission as part of the official record</i>
7:50PM—8:00PM	Concluding Remarks
8:00PM	Hearing Ends

Financial Landscape: Focus on the DC Economy

- **District Employment - cautiously optimistic**
 - The District's large service sector accounted for most of the 715,700 jobs located in the District as of July 2011. Federal employment rose by 200 jobs or 0.1% versus the previous July, while total wage and salary jobs decreased by 4,100 (0.6%) year-over-year.[3-month average data]
 - Public sector employment opportunities in the District, which have stabilized District employment during the U.S. economic recession that began in December 2007, increased from an annual average of 231,000 to 244,550 jobs at the end of FY 2010, an increase of 13,550 or 5.9% over the period.
- **Wages and income growth for District residents has improved**
 - The most recent data on wages and income shows improvement in the quarter ending in March. Wages and salaries earned in the District of Columbia grew 3.1% compared to the same quarter of 2010. DC Personal Income was 4.3% above a year earlier, and estimated wages of DC residents were up 3.6%.
- **The outlook for FY 2012 is for a continued slow recovery**
 - The September revenue estimate assumes that DC will add 3,000 (0.4%) jobs in FY 2012, and that resident employment will grow by 1.1%. The unemployment rate is expected to average 9.6% in FY 2012.
 - DC Personal Income is expected to grow 3.8% in FY 2012.
 - According to Delta Associates, commercial office vacancy rate (including sublet) is projected to fall to 8.4% by June 2013.

District of Columbia September 2011 Revenue Estimates

Local Source, General Fund Revenue Estimate (\$ millions)	Actual	Estimate			Projected	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
June 2011 Forecast		5,176.5	5,429.7	5,672.9	5,827.5	5,966.8
<i>Legislative Adjustments</i>		(1.2)	197.3	153.6	178.5	206.1
Adjusted June 2011 Forecast		5,175.3	5,627.0	5,826.4	6,006.0	6,172.9
 Change from prior forecast		89.1	0.9	(52.6)	(57.7)	(38.9)
 September 2011 Revenue Estimate	5,076.4	5,264.4	5,627.9	5,773.8	5,948.3	6,134.1
<i>Percent growth over previous year</i>	<i>0.5%</i>	<i>3.7%</i>	<i>6.9%</i>	<i>2.6%</i>	<i>3.0%</i>	<i>3.1%</i>

2011 Revenue Estimates: Commentary

- FY2011 revenue on track to finish ahead of June 2011 estimates by \$89 million.
- Highlights:
 - The Commercial property sector has been unexpectedly strong, driving up deed tax collections. Vacancy rates are still elevated but have come down much faster than expected a year ago. Deed taxes are over 75% higher than last year though still have not returned to earlier high in FY 2007.
 - Individual income tax withholding continued to grow throughout the recession, grew almost 5% in FY 2010 and has grown over 10% so far in FY 2011.
 - Final payments of individual income taxes are up 29% over last year, reflecting stronger capital gains income.
- There are still risks because economic indicators have been weak:
 - Recent weak stock market performance could depress capital gains income and reduce income tax collections next spring.
 - IHS Global Insight recently announced a downward revision in US and European growth in 2011 and assigned a 40% probability of a double-dip recession, citing the economy's inability to deal with any additional shocks.
- No significant change in FY2012 revenue estimates: mildly weaker sales and income tax revenue offsets strength in real property taxes.

FY 2012 – Changes from June 2011 Estimate

(\$millions) Revenue Source	Estimate for FY 2012				Variance	
	June 2011	Adjustments	June 2010 Adjusted	Sept 2011	Amount	Percent
Property (net of TIF/PILOT)	1,854.0	1.8	1,855.9	1,919.0	63.1	3.4%
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	961.2	6.9	968.1	899.8	(68.4)	-7.1%
Individual Income	1,298.6	98.1	1,396.7	1,391.9	(4.8)	-0.3%
<i>Withholding</i>	1,201.1	65.0	1,266.0	1,262.4	(3.6)	-0.3%
<i>Nonwithholding</i>	97.6	33.1	130.7	129.5	(1.2)	-0.9%
Business Income (corp. franchise and UB tax)	358.1	19.2	377.4	390.3	13.0	3.4%
Gross receipts (net of transfers)	251.1	-	251.1	251.1	0.0	0.0%
Deed taxes (net of transfers to Housing Production Trust) & Estate	281.9	-	281.9	293.2	11.3	4.0%
Non-tax	344.7	59.6	404.3	393.2	(11.1)	-2.7%
Interfund Transfer	10.6	10.1	20.8	20.8	-	0.0%
Lottery	69.4	1.5	70.9	68.7	(2.2)	-3.1%
Total	5,429.7	197.3	5,627.0	5,627.9	0.9	0.0%

FY 2013 – Changes from June 2011 Estimate

(\$millions)	Estimate for FY 2013				Variance	
	June 2011	Adjustments	June 2010 Adjusted	Sept 2011	Amount	Percent
Revenue Source						
Property (net of TIF/PILOT)	1,968.6	3.0	1,971.6	2,001.7	30.1	1.5%
Sales (net of convention center transfer, TIF, parking tax transfer to DDOT, ballpark sales tax) and Excise	987.8	23.1	1,010.9	943.7	(67.2)	-6.6%
Individual Income	1,360.3	62.9	1,423.2	1,413.8	(9.4)	-0.7%
<i>Withholding</i>	1,236.6	90.2	1,326.8	1,305.9	(20.9)	-1.6%
<i>Nonwithholding</i>	123.7	(27.3)	96.4	107.9	11.4	11.9%
Business Income (corp. franchise and UB tax)	370.9	19.4	390.2	403.2	13.0	3.3%
Gross receipts (net of transfers)	251.3	-	251.3	251.3	(0.0)	0.0%
Deed taxes (net of transfers to Housing Production Trust) & Estate	294.7	-	294.7	307.0	12.4	4.2%
Non-tax	351.0	43.1	394.1	364.8	(29.3)	-7.4%
Interfund Transfer	16.8	2.0	18.8	18.8	-	0.0%
Lottery	71.6	-	71.6	69.4	(2.2)	-3.0%
Total	5,672.9	153.6	5,826.4	5,773.8	(52.6)	-0.9%

Fiscal Year 2012 Overview

(Dollars in Millions)

	FY09 Actual \$	FY10 Actual \$	Final Approved FY11 Budget \$	Final Approved FY11 Budget %	Current Approved FY12 Budget \$	Current Approved FY12 Budget %	FY13 Planning Budget
Schools	\$531.5	\$605.6	\$599.7	73%	\$608.9	76%	TBD
School Support	\$165.6	\$122.8	\$151.3	19%	\$144.9	18%	TBD
Central	\$41.1	\$63.1	\$65.3	8%	\$51.3	6%	TBD
Total	\$738.2	\$791.5	\$816.3	100%	\$805.1*	100%	TBD

* Original approved budget of \$826.9M less a reduction in federal payments of \$24.5M, plus an increase in intra-district funds of \$2.7M.

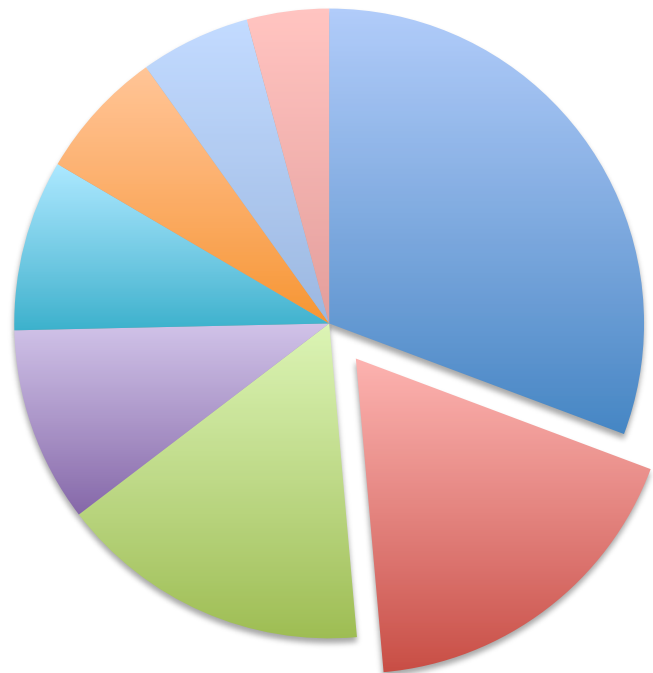
Fiscal Year 2012 Overview

(Dollars in Millions)

ARRA							
Local	State Fiscal Stabilization Fund	Federal Payment Funds	Federal Grants	Private Funds	Special Purpose Revenue	Intra-district	Total
\$611.8	\$1.4	\$20.0	\$9.0	\$21.3	\$11.7	\$129.9	\$805.1

District Wide Total Budget by Appropriation Group (as per the FY2012 Budget Book)

*District Wide Totals
for FY2012 (\$11,558M)*

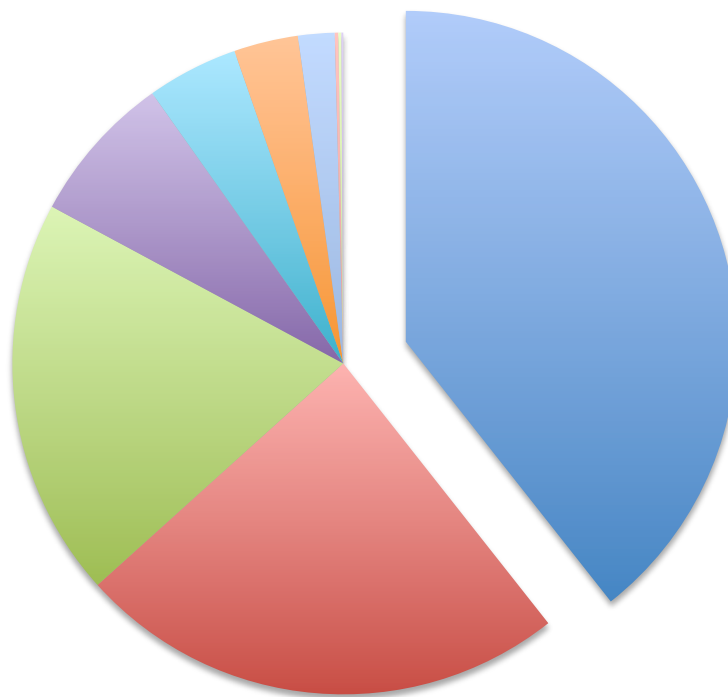


- Human Support Services (\$3,549.7M)
- Public Education System (\$2,067M)
- Enterprise and Other Funds (\$1,852.7M)
- Public Safety and Justice (\$1,159.1M)
- Financing and Other (\$1,016.4M)
- Government Directions and Support (\$771.9M)
- Public Works (\$654.8M)
- Economic Development and Regulation (\$486.7M)

The DCPS budget resides within the Public Education System group.

DCPS Budget within the Total District Education Budget (as per the FY2012 Budget Book)

Public Education System Totals for FY2012 (\$2,067M)



- D.C. Public Schools (\$805.1M)
- D.C. Public Charter Schools (\$490M)
- Office of the State Superintendent of Education (\$399.5M)
- Non-Public Tuition (\$150.2M)
- Special Education Transportation (\$91.3M)
- University of the District of Columbia (\$64.2M)
- D.C. Public Library (\$36.5M)
- D.C. Public Charter School Board (\$3.5M)
- Teachers' Retirement Fund (\$3.0M)
- Deputy Mayor of Education (\$1.9M)

The DCPS budget represents 40% of the Public Education System group total budget.

From District Government Budget to Agency Budget

Understanding DCPS agency budget within the context of DC Government Budgets

- DCPS is subject to the same factors that influence DC Government budgeting, including dependence on city revenue projections and adherence to citywide budget development timelines.
- Critical to understand that we are the square peg to their round hole—no other agency budgets for 125+ unique sites each with unique needs. Reconciling this difference is one of the key efforts that DCPS and DCPS OCFO undertakes each budget development season.
- We welcome a level of public engagement into our budget development that is unique amongst DC Government agencies.

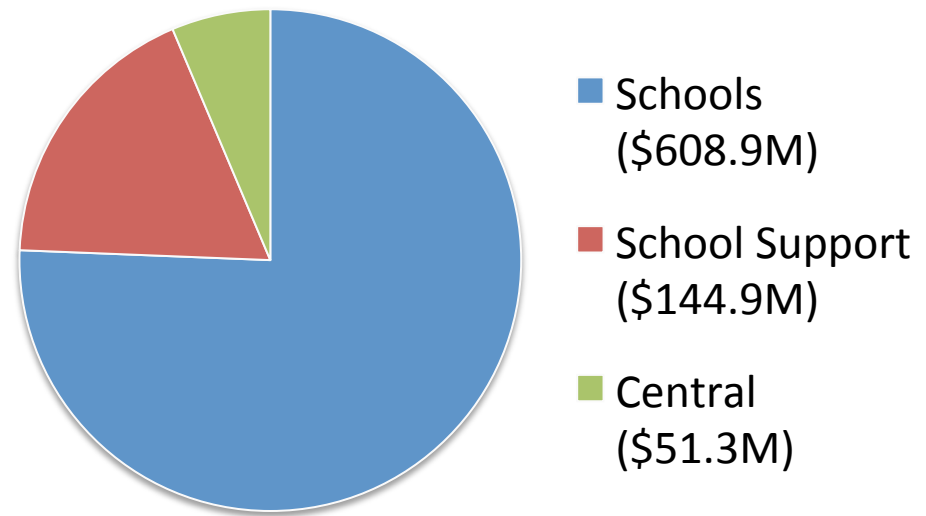
Developing Schools' Allocations from the DCPS Budget

- Account for any expected cost differences from previous fiscal year
- Identify any unbudgeted or under-budgeted expenses from previous fiscal year
- Preserve a minimum level of funding to support required central office functions, including Human Resources, Legal, and School Security.

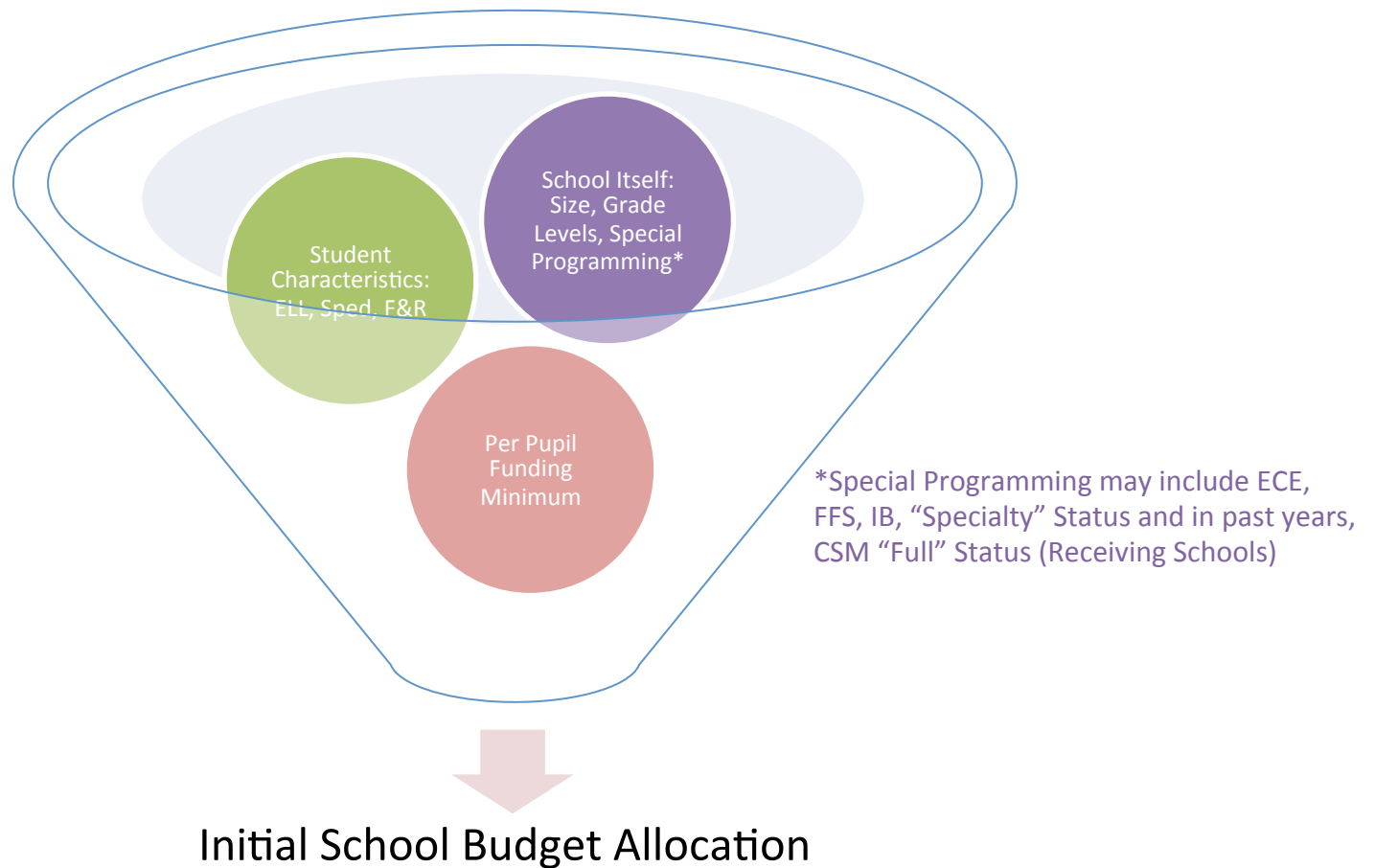
Maximizing the Schools' Slice:

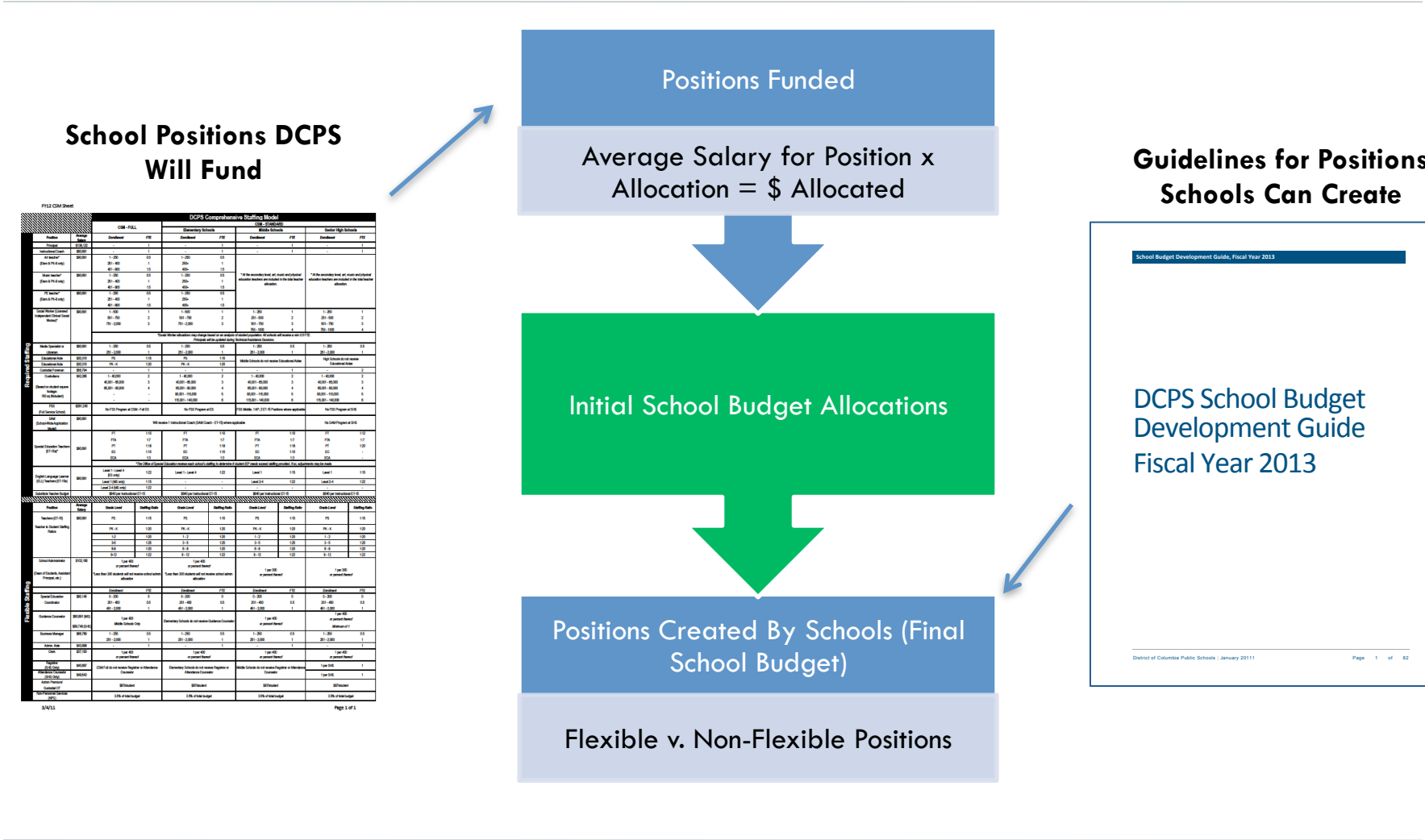
- Priority is to maintain the same level of service as prior fiscal year, understanding that we will normally see an increase in operating costs.

FY2012 Current Agency Budget \$805.1M



Creating School Budget Allocations





Engaging School Communities around Budget Development

- **Build upon last year's foundation**
 - Sharing comprehensive, user-friendly documents online
 - Sync up the city “Budget Book” with our efforts, including publishing our user-friendly docs!
 - Continuing to present “workshops” with school leaders and school communities around budget development

- **100% Participation**
 - Ensure that all schools have updated contact information on file and expect regular communication with LSATs

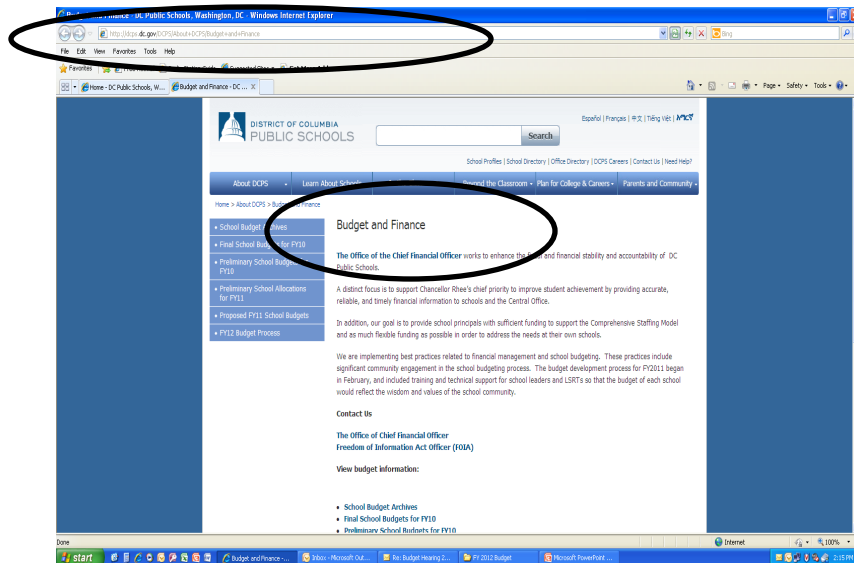
- **Leverage existing supports**
 - Connect successful LSAT leaders with emerging LSAT leaders
 - Share best practices

Fiscal Year 2013 Proposed Budget Timeline

Estimated Date	Action
November 30	DCPS Budget Hearing
Mid December	School leaders and school communities receive initial budget development guidance
Early January	School leaders review and approve projected student enrollment for FY13
January	Budget workshop with school leaders
Mid February	Citywide revenue projections from January announced
February	Budget allocations released to school leaders
February	Schools develop budget for submission to Chancellor
February	Principals submit budget to Chancellor
March	DCPS submits proposed FY13 budget to Mayor
March 23	Mayor submits FY13 budget to City Council

What can you do next?

Learn more by visiting the DCPS FY13 Fiscal Report Card
at dcps.dc.gov/DCPS/fy13budget



- **Review last year's documents**

View our user-friendly documents from FY12, including an FAQ.

- **Share your Feedback**

Please log your feedback into our form on the Fiscal Report card.

- **Stay Tuned**

Visit our website to learn about upcoming budget development events.

Important Things to Remember

We want to hear from as many of you as possible tonight. To do that, we're asking the following:

- **Testimony will be time-limited.** A timer is located on each podium, and our timekeeper will provide a one minute warning.
- **Groups will be asked to identify one speaker.** The speaker will testify on behalf of the group.
- **Please speak slowly and clearly.** Our reporter will be recording your testimony for the official record, and we want to make sure he gets it all!